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U.S. AND PANAMA REPORTED CLOSE TO A COMPROMISE

Washington Said to Accept
In Principle Latest Offer
of O.A.S. Mediators

AIDES MEET ON FORMULA

Accord Calls for Renewal
of Ties Before Review of
Canal Zone Treaty

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Special to The New York Times

WASHINGTON, Feb. 26 —

The settlement of the seven-week-old Panama crisis was reported to be imminent tonight.

The Johnson Administration was understood to be ready to accept in principle the latest compromise formula submitted by Inter-American mediators.

The situation was discussed at a 45-minute meeting at the State Department between Thomas C. Mann, the Assistant Secretary of State for Inter-American Affairs, and the five-nation mediation subcommittee of the Organization of American States.

The original proposal was submitted to the United States last Saturday and the Administration was expected to advise the O.A.S. group today of its acceptance. This formula was designed to allow the United States and Panama to resume diplomatic relations and then proceed to a review of the future of the Canal Zone treaty.

Another Formula Involved

Some confusion arose when the United States was informed during the day that Panama may have been advocating another formula, apparently based on a good-offices proposal made to Panama's President Roberto F. Chiari last Friday by Costa Rica's President, Francisco Orlich.

This proposal reached the Administration through United Nations channels and raised the question here of which formula actually represented the Panamanian position.

However, Panama's chief delegate, Miguel J. Moreno Jr., advised the subcommittee that the Orlich proposal was turned down by Panama on the grounds that a promising formula was already being studied in Washington.

Generally speaking, the new formula for agreement sets the stage for an examination of the canal treaty relationship between the United States and Panama, but removes language that Washington had resisted from the outset because it feared that the language implied an agreement in advance to another renegotiation of the 1903 pact. The treaty was last revised in 1955.

Panama's primary concern had been to obtain assurances that negotiations on a new treaty would be held. But she had insisted that she was not setting forth any preconditions.

It was believed that the problem of drafting the agreement may have been resolved with the use of wording that declares that after the resumption of diplomatic relations, which were broken by Panama subsequent to the bloody Canal Zone riots Jan. 9, 10 and 11, the representatives of the United States and Panama would meet with "full powers" to review all the problems stemming from the treaty relationship.

Today's meeting was apparently arranged at Mr. Mann's request. Diplomats believed that its purpose was to communicate to Juan I. Plate, chairman of the O.A.S. peace group, the favorable reaction of the United States to the O.A.S. conciliation formula along with some minor points of reservation.

Before conferring with Mr. Mann, Mr. Plate called on the Assistant Secretary General of the Organization of American States, William Sanders.

Informed sources said they did not believe the United States reservations would delay prompt approval of an agreement with Panama.

The subcommittee, which met this morning mainly to discuss an offer of good offices from Costa Rica, will hold another session tomorrow. At that time, Mr. Plate will acquaint his group with Mr. Mann's views.

Diplomats said that the next step would be a meeting of the subcommittee with the Panamanian chief delegate, Miguel J. Moreno Jr., and the United States delegate to the O.A.S., Ellsworth Bunker, either separately or together, to draw up a final draft of the agreement.

If no new problems emerge, it is hoped that the agreement can be announced late tomorrow or early Friday. Mr. Moreno will presumably require time to consult with his Government.

Secrecy surrounded the details of tonight's negotiations because both sides and the mediators feared that premature disclosure might complicate diplomatic efforts. Both Governments have to contend with domestic opinion.

The new formula was said to have come from a proposal submitted by Mr. Moreno to Mr. Bunker at a luncheon meeting arranged by Mr. Plate last Saturday. The formula underwent some revisions during that meeting and also in subsequent discussions with the members of the O.A.S. subcommittee.

One of Panama's complaints in past discussions has been that United States negotiators allegedly said they lacked sufficient power to take up questions proposed by the Panamanians. According to Panama, this was the case with the discussions of certain aspects of the treaty in 1962 and last year.

At that time, Panama says, Washington agreed only to discuss peripheral issues without touching upon Panamanian insistence on discussing the perpetuity clause under which the United States controls the zone.

Full Powers Provided

The new formula provides that the United States and Panamanian representatives will have the full powers to review any issues raised. The United States is making it clear, however, that this in no way implies that it will necessarily agree during treaty discussions to any or all of Panama's demands.

The two governments had long been extremely close to a settlement, but three major mediation efforts in the last six weeks failed because of drafting disagreements.

Each Government's fear of public reaction has stymied negotiations. Both countries face presidential election this year.

The atmosphere surrounding the negotiations has improved greatly both here and in Panama since the return to Washington 10 days ago of the mediation subcommittee.

Diplomats here have been optimistic since last weekend, and officials have not discouraged this optimism.

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